

PUBLIC DISCLOSURE

APRIL 3, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EAST BRIDGEWATER SAVINGS BANK

**29 BEDFORD STREET
EAST BRIDGEWATER, MA 02333**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **EAST BRIDGEWATER SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

East Bridgewater Savings Bank's performance rating of satisfactory was based on the five performance criteria detailed throughout this report. Although the bank did not meet satisfactory standards under the Net Loan-to-Deposit Analysis criterion, mitigating factors do exist and are explained within the text of this report. Under the second criterion, the bank was determined to meet the standards of satisfactory performance. More than a majority of the bank's HMDA reportable loans were originated within the six towns that comprise the bank's assessment area. Other lending activity was a major contributing factor since the bank accepts processes and closes a substantial amount of loans for other area institutions. The third criterion, Distribution of Credit Among Different Income Levels, was also deemed to be at a satisfactory level. The forth criterion, Geographic Distribution of Loans, was determined to be reasonable given the demographic housing data within the assessment area. East Bridgewater Savings Bank did not receive any CRA related complaints since the prior examination and the fair lending examination revealed no evidence of discriminatory acts or practices.

PERFORMANCE CONTEXT

Description of Institution

East Bridgewater Savings Bank is a mutually owned savings institution chartered under the laws of the Commonwealth in 1870. The bank currently operates from three offices. Its main office is located at 29 Bedford Street, East Bridgewater. One branch office is located in the Town of Hanson and one is located in the Town of Pembroke. All offices are equipped with 24 hour Automated Teller Machines that are linked to the NYCE, CIRBUS, Discover, American Express, Visa and Master Card, and SUM networks. Hours of operation are considered convenient and accessible.

As of December 31, 1999, the bank's total loan portfolio was approximately \$33 million or 34.3 percent of its \$95 million total assets. The bank currently offers a variety of residential, consumer and commercial credit products. These products include, but are not limited to, the following: fixed rate and adjustable rate mortgages, including a first time homebuyers product; home equity loans and home equity lines of credit; commercial real estate loans; construction loans; new and used automobile loans; secured and unsecured installment loans and short term notes.

East Bridgewater Savings Bank is primarily a real estate lender with the majority of the loan portfolio (69.8%) consisting of one-to-four family residential mortgage loans. Commercial real estate loans also comprise a significant portion of the loan portfolio at 20.1 percent. The remaining 10.1 percent of the portfolio consists of consumer loans at 4.1 percent, home equity lines of credit at 2.5 percent, construction and land development loans at 2.3 percent, multi-family (5 or more units) residential loans at 0.8 percent and commercial loans at 0.4 percent.

Additionally, in an effort to be more responsive to the credit needs of its assessment area, the bank actively participates in the secondary market. East Bridgewater Savings Bank accepts and processes applications, which are then approved and made by other institutions.

There do not appear to be any limitations on the bank's ability to meet the various credit needs of the community. The last examination for compliance with the Community Reinvestment Act was by the Federal Deposit Insurance Corporation (FDIC) on October 21, 1998. That examination resulted in a rating of Satisfactory.

Description of Assessment Area

The CRA requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. East Bridgewater Savings Bank defines its assessment area as the towns of Bridgewater, East Bridgewater, Halifax, Hanson, Pembroke and West Bridgewater. The entire assessment area is located in Plymouth County. All of the towns, with the exception of Pembroke are located in the Brockton Metropolitan Statistical Area (MSA). Pembroke is located within the Boston Metropolitan Statistical Area (MSA).

In total there are 15 census tracts within the bank's assessment area: 1 moderate-income, 13 middle-income, and 1 upper-income. The moderate-income census tract and the upper-income census tract are both located in the Town of Bridgewater.

According to 1990 U.S. Census data, these six communities combined have a total population of 68,840, with a total of 17,219 family households and a total of 22,551 housing units. Of these total housing units, 78.5 percent are designated as owner occupied and 18.3 percent are rental units. The weighted average median housing value in the assessment area is approximately \$158,844. The U.S. Bureau of the Census defines a Household as all persons occupying a housing unit. A Family Household is defined as having two or more persons related by birth, marriage or adoption occupying the same housing unit. Refer to the following table for more information.

ASSESSMENT AREA DEMOGRAPHICS				
CENSUS TRACT INCOME LEVEL	# OF CENSUS TRACTS	CENSUS TRACT PERCENTAGE	# FAMILY HOUSEHOLDS	MEDIAN HOUSING VALUE
Low	0	0.0	0	0
Moderate	1	6.7	50	135,800
Middle	13	86.6	15,805	157,858
Upper	1	6.7	1,364	170,800
TOTAL	15	100.0	17,219	

Source: 1990 Census Data

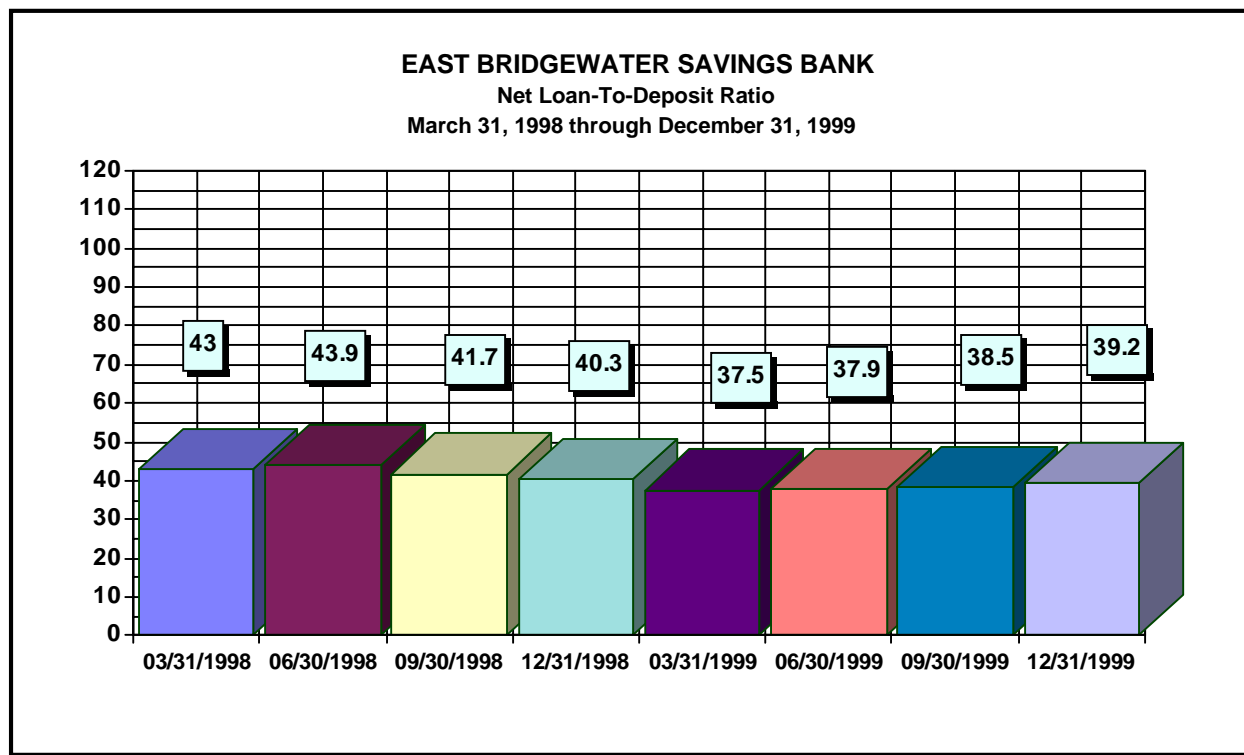
Competition within the bank's assessment area is significant. The bank's competition includes both state and nationally chartered financial institutions located within its assessment area. Aggregate data for lending performance purposes only, consists of 312 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased residential mortgage and/or home improvement loans within the bank's assessment area. This information was generated by PCI Services, CRA WIZ Software. East Bridgewater Savings Bank ranked 17th overall with a market share of 1.59 percent. The top five lenders within the assessment area include Countrywide Home Loans, Plymouth Savings Bank, Bridgewater Savings Bank, Brockton Credit Union, and North American Mortgage.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

East Bridgewater Savings Bank's net loan to deposit ratio was calculated by using the data reported in the previous Federal Financial Institutions Examination Council (FFIEC) Call Reports (March 31, 1998 to December 31, 1999). This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan to deposit ratio for the period of March 31, 1998 through December 31, 1999 is 40.3 percent. Although this ratio is notably low, it has historically been below 50 percent. At the previous Division of Bank's examination on September 1, 1997, the average net loan to deposit ratio was calculated to be 37.6 percent.

As of June 30, 1998, the bank's net loan to deposit ratio was 43.9 percent, the highest for the eight quarters under review. The lowest at 37.5 percent was recorded for the quarter ending March 31, 1999, and since then the bank appears to be on an upward trend. The following graph depicts the net loan to deposit ratio for each quarter under review.



The bank's net loan to deposit ratio was compared to other local banking institutions of similar size and peer group information provided by the Uniform Bank Performance Report (UBPR). Based on these comparisons, East Bridgewater Savings Bank does not meet the standards for satisfactory performance under this criterion.

Despite the low level of the net loan to deposit ratio, management actively participates in the secondary market as a way to satisfy the credit needs of the community. East Bridgewater Savings Bank accepts and processes applications for other lending institutions. Documents are forwarded to an investor prior to closing in the bank's name and subsequently sold to the investor without recourse. In 1998 and 1999, East Bridgewater Savings Bank originated and sold 116 loans totaling \$12,593,100 and 36 loans totaling \$3,631,050, respectively.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of East Bridgewater Savings Bank's 1998 and 1999 Loan Application Registers (LAR) was conducted to determine the geographic distribution of originated residential loans. This information indicated the bank originated 66 HMDA reportable loans during this period. The majority of these loans (39 or 59.1%) were for refinancing of home purchases. The remaining 27 loans or 40.9 percent were for home purchases. A total of 37 loans or 56.1 percent were originated within the six towns that comprise the bank's assessment area. Refer to the following table for a complete breakdown.

Loan Originations by Number

Location	1998		1999		TOTALS	
	#	%	#	%	#	%
Bridgewater	3	8.8	6	18.8	9	13.7
East Bridgewater	12	35.4	4	12.5	16	24.2
Halifax	0	0.0	0	0.0	0	0.0
Hanson	4	11.8	5	15.6	9	13.7
Pembroke	1	2.9	1	3.1	2	3.0
West Bridgewater	1	2.9	0	0.0	1	1.5
Inside Assessment Area	21	61.8	16	50.0	37	56.1
Outside Assessment Area	13	38.2	16	50.0	29	43.9
Totals	34	100.0	32	100.0	66	100.0

Source: 1998 and 1999 Loan Application Registers (LARs).

A review of the total dollar amount of residential loan originations in 1998 and 1999 was also conducted. This analysis revealed that \$4,141,000 or 51.0 percent was granted within the bank's assessment area. East Bridgewater accounted for the majority with 21.8 percent. Refer to the following table for a complete breakdown.

Loan Originations By Dollar Amount

Location	1998		1999		TOTALS	
	\$	%	\$	%	\$	%
Bridgewater	445	10.0	567	15.4	1,012	12.5
East Bridgewater	1,348	30.4	420	11.4	1,768	21.8
Halifax	0	0.0	0	0.0	0	0.0
Hanson	567	12.8	506	13.7	1,073	13.2
Pembroke	60	1.4	48	1.3	108	1.3
West Bridgewater	180	4.1	0	0.0	180	2.2
Inside Assessment Area	2,600	58.7	1,541	41.8	4,141	51.0
Outside Assessment Area	1,833	41.3	2,144	58.2	3,977	49.0
Totals	4,433	100.0	3,685	100.0	8,118	100.0

Source: 1998 and 1999 Loan Application Registers (LARs).

As mentioned previously, the bank faces considerable competition for mortgages within its assessment area. Over 312 bank and non-bank entities have originated or purchased residential mortgages located in the bank's assessment area. As elsewhere, the larger banks and a number of mortgage companies dominate the mortgage business. The top ten residential lenders in the assessment area in 1998 consisted of the large local banks and mortgage companies. East Bridgewater Savings Bank was ranked 17th out of 312 institutions, with a market share of 1.59 percent.

In addition, a significant portion of the bank's lending activity consists of selling loans in the secondary market. In 1998 and 1999, East Bridgewater Savings Bank closed 152 mortgage loans totaling \$16,224,150 that were subsequently sold to another institution. Of these loans, 93 or 61.2 percent were within the bank's assessment area.

Based on all of the above information, particularly the bank's role in the secondary market, East Bridgewater Savings Bank meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of East Bridgewater Savings Bank's Loan Application Registers (LAR) for calendar years 1998 and 1999, was conducted to determine the distribution of credit inside of its assessment area based upon the income levels of borrowers. Income levels were categorized by the ratio of the applicant's reported income to the estimated 1998 and 1999 median family incomes of the MSA where the borrower resides. The Boston MSA and the Brockton MSA median family incomes were used. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The Boston MSA's estimated median family income for 1998 and 1999 are \$60,000, and \$62,700, respectively. The estimated median family income for the Brockton MSA for 1998 and 1999 are \$53,900 and \$55,700, respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level for the MSA. Upper income is defined as income greater than 120 percent of the median family income level for the MSA.

Refer to the following table.

Loan Originations by Income of Borrower

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
<50%	1	4.8	1	6.3	2	5.4
50% - 79%	2	9.5	4	25.0	6	16.3
80% - 119%	6	28.6	7	43.7	13	35.1
120% >	12	57.1	4	25.0	16	43.2
TOTAL	21	100.0	16	100.0	37	100.0

Source: 1998 and 1999 HMDA Data.

Information obtained from the PCI Services, CRA Wiz Software was reviewed to compare East Bridgewater Savings Bank's performance to the performance of other financial institutions granting loans within the area during 1998 (the most recent information available). This information indicated that for all HMDA reporters in the bank's assessment area, 3.2 percent of the total number of loans granted were to applicants of low-income, and 13.9 percent were granted to applicants of moderate-income. Refer to the following table.

Comparative Analysis of Residential Loans by Income of Borrower

% OF MEDIAN MSA INCOME	EAST BRIDGEWATER SAVINGS BANK 1998 DATA		AGGREGATE 1998 DATA	
	#	%	#	%
< 50%	1	4.8	184	3.2
50 - 79%	2	9.5	811	13.9
80 - 119%	6	28.6	1,651	28.4
120% +	12	57.1	2,293	39.4
NA	0	0.0	875	15.1
TOTAL	21	100.0	5,814	100.0

As shown in the above table, 4.8 percent and 9.5 percent of the number of residential loans originated by East Bridgewater Savings Bank in 1998 were granted to low and moderate-income borrowers, respectively, for a total of 14.3 percent. In total, lending to low and moderate-income applicants is slightly below the average when compared to other institutions that have originated and/or purchased HMDA reportable loans within the assessment area. Aggregate information indicated that the average for other institutions that originated and/or purchased loans within the assessment area in 1998 is 17.1 percent.

A review of 1998 aggregate data (312 institutions) ranked the bank 12th in market share for low and moderate-income originations and/or purchased loans within the assessment area, with a 1.78 percent market share. This distribution of lending demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income. East Bridgewater Savings Bank is considered to meet the standards of satisfactory performance in this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loans extended within the various census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of 15 census tracts. Of these census tracts, 1 is designated as moderate-income, 13 are designated as middle-income, and 1 as upper-income. The bank's assessment area does not contain any low-income census tracts.

The analysis indicated that 100.0 percent of the loans originated were within census tracts designated as middle-income. Based upon the geographic location of the bank's branches, and the demographic housing data, the distribution of loan origination appears to be reasonable. The following table shows the geographic distribution of loan originations compared to the allocation of owner-occupied households within the various income level census tracts.

RESIDENTIAL LOAN DATA BY CENSUS TRACT CLASSIFICATION¹

Census Tract Income Level	*Owner- Occupied Properties		1998 Originations		1999 Originations		TOTAL	
	#	%	#	%	#	%	#	%
Moderate	42	0.2	0	0.0	0	0.0	0	0.0
Middle	16,193	91.5	21	100.0	16	100.0	37	100.0
Upper	1,465	8.3	0	0.0	0	0.0	0	0.0
Total	17,700	100.0	21	100.0	16	100.0	37	100.0

Source: *HMDALLAR Data
*1990 Census Data

The assessment area's only moderate-income census tract did not generate any loans. This census tract is located in Bridgewater and consists of only 42 owner-occupied households. These households account for only 0.2 percent of the total owner-occupied households within the bank's assessment area. In addition, a state prison is the dominant land use in this census tract.

Based on the preceding factors, East Bridgewater Savings Bank's distribution of loans among census tracts of different income levels is considered reasonable and the bank is considered to meet the standards for satisfactory performance under this criterion.

5. REVIEW OF COMPLAINTS AND FAIR LENDING

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

The bank has not received any complaints regarding its CRA performance.

FAIR LENDING POLICIES AND PRACTICES

East Bridgewater Savings Bank's Board of Trustees recently approved and adopted a Fair Lending Policy aimed at preventing any prohibited discriminatory practices from occurring. The policy was voted at the March 2000 meeting. Detailed below is the bank's performance as it correlates to the guidelines set forth in the Division of Bank's Fair Lending Regulatory Bulletin 2.3-101.

STAFF TRAINING

East Bridgewater Savings Bank's staff training program educates employees on fair lending laws and regulations. The bank's training includes the Omega Consumer Lending Program, which reviews regulatory and legislative components. Included in the Omega

Performance Training is a section that thoroughly discusses all of the consumer protection regulations related to consumer lending.

Management also utilizes "Compliance Quizzes" designed by Sheshunoff Information Services, Inc. These quizzes test an individual's knowledge of several different compliance regulations, including the Fair Credit Reporting Act, the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act. An answer key providing a detailed explanation for each compliance question accompanies each quiz.

The bank has incorporated the video "BVS Performance Systems." This computer-based training system assists banks in meeting compliance standards, improve employees' lending, sales and service skills and meet higher performance goals. Two training modules are directly related to fair lending standards: "Battling Discrimination in Banking" and "Fair Lending." All employees are required to complete this training system.

STAFF COMPOSITION AND COMPENSATION

As of April 3, 2000, East Bridgewater Savings Bank's staff consisted of 29 full-time and 6 part-time employees. The staff's racial composition appears to adequately reflect the composition of the bank's assessment area. Two employees are capable of communicating in sign language.

The bank does not employ any mortgage originators. All loan origination is conducted through the institution's three full-service offices. Personnel are available at all three locations to accept and originate all types of loans. These individuals are not compensated on a commission basis. Therefore, they are not encouraged to originate large dollar loans at the expense of smaller loan originations that may be in a low and moderate-income area or to lower income individuals.

OUTREACH

In 1994, management and the Board developed and implemented a formal Community Involvement Program. The program was designed to provide guidelines for effectively reaching out to the community and identifying worthwhile organizations and activities. Although the presence of community development organizations targeting affordable housing issues is limited, bank personnel have maintained contact with local civic groups and have continued their participation in the East Bridgewater Business Association and the Halifax-Plympton Business Associations. Management also displays a sincere commitment to local schools and the East Bridgewater Family YMCA.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

East Bridgewater Savings Bank offers an in-house First Time Home Buyers Program that features no points, reduced interest rates, reduced closing costs and flexible underwriting guidelines. Management regularly monitors loan rates and reviews the bank's credit products.

MARKETING

Given the predominately non-minority composition of the bank's assessment area, a need for multi-lingual advertising does not exist. Management indicated that the majority of business is generated via "word of mouth" and the bank's long term presence in the East Bridgewater area. Lending products are marketed through existing customers, lobby displays, and attractive pricing. In addition, the bank also generates interest from potential borrowers through the interest rate surveys printed in two local newspapers: the Patriot Ledger and the Brockton Enterprise.

COUNSELLING

Loan personnel provide counseling services to delinquent customers and assist them in working out their credit problems. When appropriate, the bank refers customers who are in need of further assistance to appropriate counseling agencies.

SECOND REVIEW PRACTICES

All denied and withdrawn loans are reviewed by the bank's President and CEO for potential areas of inconsistency or discrimination. This review is in addition to the discussions that occur between a lender and the CEO regarding loans recommended for denial. Prior to the mailing of an adverse action notice, a lender must review with the CEO the reasons and factors for the denial recommendation.

INTERNAL CONTROL PROCEDURES

A review of the loan policy did not reveal any evidence of policies or practices designed to discourage loan applications for the types of credit offered by the bank. Annually, a loan compliance audit is conducted internally. The bank's CEO also conducts a monthly review of all loan activity on a loan-by-loan basis. As part of this review, adherence to policies and practices is evaluated.

To assist management in monitoring the bank's lending efforts, the bank contracted with an outside consultant. This firm provides a service, which consists of an array of colored maps, and statistical reports that provide an extensive overview of the lending patterns and demographic dynamics of the bank's assessment area.

MINORITY APPLICATION FLOW

The loan application registers for 1998 and 1999 were reviewed to determine if the application flow from the different racial groups represented in the bank's assessment area was reflective of the area's demographics. According to 1990 U.S. Census data, the bank's assessment area had a total minority population of 4.1 percent: 1.8 percent Black, 0.2 percent Native American, 0.5 percent Asian, 1.4 percent Hispanic and 0.2 percent Other.

Of the total HMDA reportable applications received from within the bank's assessment area 98.0 percent were from white applicants and 2.0 percent were from minority applicants.

The 3 minority applications received by the bank were originated. Refer to the following table.

RESIDENTIAL APPLICATION FLOW						
RACE	1998		1999		TOTAL	
	#	%	#	%	#	%
American Indian	0	0.0	1	2.3	1	0.7
Asian	0	0.0	0	0.0	0	0.0
Black	0	0.0	0	0.0	0	0.0
Hispanic	0	0.0	0	0.0	0	0.0
Other/Joint	2	1.8	0	0.0	2	1.3
TOTAL MINORITY	2	1.8	1	2.3	3	2.0
White	108	98.2	42	97.7	150	98.0
NA	0	0.0	0	0.0	0	0.0
TOTAL	110	100.0	43	100.0	153	100.0

Source: HMDA\LAR Data

East Bridgewater Savings Bank's minority application flow in 1998 was also compared to all other HMDA reportable lenders accepting applications from within the bank's assessment area. As indicated in the following table, the bank's minority application flow was somewhat less than the aggregate. Refer to the following table.

MINORITY APPLICATION FLOW COMPARITIVE ANALYSIS				
RACE	1998		1998 Aggregate Data*	
	#	%	#	%
American Indian	0	0.0	13	0.2
Asian	0	0.0	15	0.2
Black	0	0.0	44	0.6
Hispanic	0	0.0	31	0.4
Other	2	1.8	107	1.4
TOTAL MINORITY	2	1.8	210	2.8
White	108	98.2	5,725	75.0
No Information	0	0.0	1,699	22.2
TOTAL	110	100.0	7,634	100.0

* ©PCI Services, Inc. CRA WIZ 1998 HMDA Data

To ensure that equal treatment of all applicants is being practiced, a sample review of mortgage applications was performed during this examination. A loan file comparison between declined and approved applications was conducted. No evidence of discriminatory or other illegal credit practices was noted.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EAST BRIDGEWATER SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 3, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee that does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.